

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 23, 2020

REG. CLERK'S OFFICE
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2020 JAN 23 P 12: 30

APPLICATION OF

VIRGINIA-AMERICAN WATER COMPANY

CASE NO. PUR-2019-00185

For Approval of a WWISC Rider True-Up Factor

ORDER FOR NOTICE AND HEARING

On October 31, 2019, Virginia-American Water Company ("Virginia-American" or "Company"), pursuant to Rule 5 VAC 5-20-80 of the State Corporation Commission's ("Commission") Rules of Practice and Procedure ("Rules of Practice")¹ and the Final Order entered in Case No. PUR-2017-00149 ("2018 WWISC Order"),² filed an application ("Application") for approval of a Water and Wastewater Infrastructure Service Charge ("WWISC") Rider reconciliation.³ Per Virginia-American's proposed tariff, customers receiving service under Rate Schedule 1 (Alexandria) are subject to the WWISC Rider.⁴

¹ 5 VAC 5-20-10 *et seq.*

² *Application of Virginia-American Water Company, For approval to implement a Water and Wastewater Infrastructure Service Charge Plan and Rider*, Case No. PUR-2017-00149, 2018 S.C.C. Ann. Rept. 299, Final Order (March 13, 2018).

³ As part of this Application, Virginia-American requested that the Commission waive its 2017 Order mandate that the Company provide an earnings test with its annual WWISC review. On November 15, 2019, Commission Staff ("Staff") issued a Memorandum of Incompleteness, outlining all of the information (including the required earnings tests for the Alexandria District) needed to complete the Company's Application. On November 21, 2019, Staff also filed its Response to Motion for Waiver of the Earnings Test, objecting to such request. On December 9, 2019, Virginia-American filed its Reply, objecting to Staff's Response, but stating that it would nevertheless, file the requisite earnings tests for the Alexandria District (without waiver of its rate case arguments related to the earnings test). Thereafter, Virginia-American made multiple filings in which it provided the information required in the Memorandum of Incompleteness. Staff deemed the Application complete and filed a Memorandum of Completeness on January 6, 2020, effective with the filing of the final required information on December 31, 2019.

⁴ Application at Exhibit D.

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The Commission approved Virginia-American's initial WWISC Plan and Pilot on May 24, 2017, in Case No. PUE-2015-00097 ("2017 Order").⁵ The Commission approved the Company's initial WWISC Rider to recover costs incurred through the Company's WWISC Plan and Pilot in its 2018 WWISC Order.⁶

The initial WWISC Rider included only a "Projected Factor" designed to recover eligible infrastructure costs associated with Virginia-American's WWISC-eligible investments for the period April 1, 2017, through December 31, 2018 ("2018 WWISC Rider").⁷ The 2018 WWISC Rider was charged to customers for services rendered on and after March 1, 2018.⁸ Virginia-American filed a base rate application on November 2, 2018, incorporating into base rates all WWISC-eligible investments undertaken from April 1, 2017, through December 31, 2018; resetting the WWISC Projected Factor to zero.⁹ Virginia-American states in its Application that the Company does not intend to seek recovery of any WWISC-eligible investments for the time period between December 31, 2018, through the end of the rate year in the Company's base rate case—April 30, 2020.¹⁰ Thus, while Virginia-American's current WWISC Plan includes investments through March 31, 2020, the Company is not seeking recovery of any new

⁵ *Application of Virginia-American Water Company, for a general increase in rates*, Case No. PUE-2015-00097, 2017 S.C.C. Ann. Rept. 288, Final Order (May 24, 2017). Virginia American's WWISC applies only to the Company's Alexandria District customers.

⁶ Application at 1.

⁷ *Id.*

⁸ *Id.* at 2.

⁹ *Id.* at 1-2.

¹⁰ *Id.* at 2.

WWISC-eligible investments under the Company's current WWISC Plan through its Application.¹¹ Rather, Virginia-American seeks approval of a "True-Up Factor" to reconcile its actual eligible infrastructure costs for WWISC-eligible investments through December 31, 2018, with the revenues already collected by the Company through the 2018 WWISC Rider.¹² Virginia-American seeks an effective date for its proposed WWISC Rider of May 1, 2020.¹³

Specifically, Virginia-American seeks a True-Up revenue requirement of \$380,493, to be charged to customers through the WWISC Rider, for services rendered beginning May 1, 2020 through December 31, 2020.¹⁴ Per the Company's proposed tariff, Virginia-American's requested Rate Schedule 1 (Alexandria) True-Up Factor is \$0.01165 (per 100 gal)¹⁵ (or 11.65 cents per 1000 gal). The Company states that a typical residential customer¹⁶ in the Alexandria District would see a monthly increase of \$0.52.¹⁷

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that this matter shall be docketed; Virginia-American should provide public notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Application; interested persons should have an opportunity to file comments on

¹¹ Application at 2. The Company maintains, however, that should the Commission approve modifications to the Company's WWISC Plan, the Company will seek approval of a Projected Factor for the recovery of any future WWISC-eligible costs through a separate application. *Id.* at 2, n. 4.

¹² Application at 2.

¹³ *Id.* at 4.

¹⁴ *Id.* at 2.

¹⁵ *Id.* at Schedule 2. *See also, Id.* at Exhibit D.

¹⁶ Utilizing industry averages, a typical residential customer's usage averages 4500 gal./month. Actual cost of the True-up Factor may vary depending on actual customer usage.

¹⁷ Application at 2.

the Application or participate as a respondent in this proceeding; and the Staff should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon. We also find that a Hearing Examiner should be assigned to conduct all further proceedings in this matter on behalf of the Commission, including filing a final report containing the Hearing Examiner's findings and recommendations.

The Commission further finds that, the Company's request to implement its proposed WWISC True-Up Factor rate for services rendered beginning May 1, 2020, should be granted. The Company may begin charging the proposed Rate Schedule 1 (Alexandria) True-Up Factor of \$0.01165 (per 100 gal)¹⁸ (or 11.65 cents per 1000 gal)¹⁹ subject to all of the requirements found in the Company's Tariff, the additional safeguards adopted by the Commission in the 2017 Order,²⁰ and subject to modification and true-up, with carrying costs, based on the final outcome of these proceedings.

Accordingly, IT IS ORDERED THAT:

(1) This case is docketed and assigned Case No. PUR-2019-00185.

(2) Pursuant to § 12.1-31 of the Code of Virginia ("Code") and Rule 5 VAC 5-20-120, *Procedure before Hearing Examiners*, of the Commission's Rules of Practice, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission, concluding with the issuance of a report containing the Hearing Examiner's findings and recommendations.

¹⁸ Application at Schedule 2.

¹⁹ *Supra.* See also, n. 11.

²⁰ *Application of Virginia-American Water Company. For a General Increase in Rates*, Case No. PUE-2015-00097, S.C.C. Ann. Rep. 288, Final Order (May 24, 2017).

(3) Subject to the protections outlined in the Company's Tariff, and the additional safeguards adopted by the Commission in the 2017 Order, the Company may begin charging customers for services rendered on and after May 1, 2020, Virginia-American's proposed True-Up Factor of \$0.01165 (per 100 gal).²¹ The Commission may modify Virginia-American's proposed True-Up Factor based on the final outcome of these proceedings, rendering such collections subject to possible additional true-up, with carrying costs.

(4) A public hearing shall be convened on April 21, 2020, at 10 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and Staff. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's Courtroom fifteen (15) minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(5) The Company shall make copies of the public version of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies may also be obtained by submitting a written request to counsel for Virginia-American Water Company, Timothy E. Biller, Jr., Esquire, Hunton Andrews Kurth, LLP, Riverfront Plaza, East Tower, 951 E. Byrd Street, Richmond, Virginia 23219-4074. If acceptable to the requesting party, the Company may provide the documents by electronic means. Copies of the public version of all documents also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m.,

²¹ Application at Schedule 2.

Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(6) On or before February 14, 2020, Virginia American shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's service territory within Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
VIRGINIA-AMERICAN WATER COMPANY,
FOR APPROVAL OF A WWISC RIDER TRUE-UP FACTOR
CASE NO. PUR-2019-00185

- **Virginia American Water Company has applied for approval of a water and wastewater infrastructure service charge ("WWISC") Rider True-Up Factor with a revenue requirement of approximately \$380,493.**
- **A Hearing Examiner appointed by the Commission will hear the case on April 21, 2020, at 10 a.m.**
- **Further information about this case is available on the SCC website at: <http://www.scc.virginia.gov/case>.**

On October 31, 2019, Virginia-American Water Company ("Virginia-American," or "Company"), pursuant to Rule 5 VAC 5-20-80 of the State Corporation Commission's ("Commission") Rules of Practice and Procedure ("Rules of Practice") and the Final Order entered in Case No. PUR-2017-00149 ("2018 WWISC Order"), filed an application ("Application") for approval of a Water and Wastewater Infrastructure Service Charge ("WWISC") Rider reconciliation. Per Virginia-American's proposed tariff, customers receiving service under Rate Schedule 1 (Alexandria) are subject to the WWISC Rider.

The Commission approved Virginia-American's initial WWISC Plan and Pilot on May 24, 2017, in Case No. PUE-2015-00097 ("2017 Order"). The Commission approved the Company's initial WWISC Rider to recover cost incurred through the Company's WWISC Plan and Pilot in its 2018 WWISC Order.

The initial WWISC Rider included only a "Projected Factor" designed to recover eligible infrastructure costs associated with Virginia-American's WWISC-eligible investments for the period April 1, 2017, through December 1, 2018 ("2018 WWISC Rider"). The 2018 WWISC Rider was charged to customers for services rendered on and after March 1, 2018. Virginia-American filed a base rate application on November 2, 2018, incorporating into base rates all WWISC-eligible investments undertaken from April 1, 2017, through December 31, 2018; resetting the WWISC Projected Factor to zero. Virginia-American states in its Application that the Company does not intend to seek recovery of any WWISC-eligible investments for the time period between December 31, 2018, through the end of the rate year in the Company's base rate case—April 30, 2020. Thus, while Virginia-American's current WWISC Plan includes investments through March 31, 2020, the Company is not seeking recovery of any new WWISC-eligible investments under the Company's current WWISC Plan through its Application. Rather, Virginia-American, through the instant Application, seeks approval of a "True-Up Factor" to reconcile its actual eligible infrastructure costs for WWISC-eligible investments through December 31, 2018, with the revenues already collected by the Company through the 2018 WWISC Rider. Virginia-American seeks an effective date for its proposed WWISC Rider of May 1, 2020.

Specifically, Virginia-American seeks a True-Up revenue requirement of \$380,493, to be charged customers through the WWISC Rider, for services rendered beginning May 1, 2020 through December 31, 2020. Per the Company's proposed tariff, Virginia-American's requested Rate Schedule 1 (Alexandria) True-Up Factor is \$0.01165 (per 100 gal) (or 11.65 cents per 1000 gal). The Company states that a typical residential customer in the Alexandria District, would see a monthly increase of \$0.52.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals.

TAKE NOTICE that the Commission may apportion revenues among the Virginia-American's customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents and thus may adopt rates that differ from those appearing in the Company's Application and supporting documents.

The Commission granted the Company's request to begin charging customers for its WWISC Rider True-Up Factor-related expenses for service rendered on and after May 1, 2020, subject to the Company's Tariff, true-up (with carrying costs), and the protections adopted by the Commission in its 2017 Order.

The Commission entered an Order for Notice and Hearing that, among other things, scheduled a public hearing to commence at 10 a.m. on April 21, 2020, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive testimony from members of the public and evidence related to the Application from the Company, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

Copies of the Application and the Commission's Order for Notice and Hearing are available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Timothy E. Biller, Jr., Esquire, Hunton Andrews Kurth, LLP, Riverfront Plaza, East Tower, 951 E. Byrd Street, Richmond, Virginia 23219-4074. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Copies of the public version of the Application and other documents filed in this case also are available for interested persons to review in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before March 6, 2020, any interested person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Anyone filing a notice of participation simultaneously shall serve a copy of the notice of participation on counsel to the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a*

respondent, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2019-00185.

On or before March 6, 2020, each respondent may file with the Clerk of the Commission and serve on the Commission's Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth above. Respondents also shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2019-00185.

On or before April 13, 2020, any interested person wishing to comment on the Company's Application shall file written comments on the Application with the Clerk of the Commission at the address set forth above. Any interested person desiring to file comments electronically may do so on or before April 13, 2020, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. All such comments shall refer to Case No. PUR-2019-00185.

All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

The Commission's Rules of Practice may be viewed at: <http://www.scc.virginia.gov/case>. A printed copy of the Rules of Practice and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address above.

VIRGINIA-AMERICAN WATER COMPANY

(7) On or before February 14, 2020, the Company shall serve a copy of this Order for Notice and Hearing on the following local officials, to the extent the position exists, in each county, city, and town in which the Company provides service in the Commonwealth of Virginia: the chairman of the board of supervisors of each county; the mayor or manager (or equivalent official) of every city and town; and the county, city, or town attorney. Service shall be made by first class mail to the customary place of business or residence of the person served.

(8) On or before February 14, 2020, Virginia-American shall serve a copy of the notice prescribed in Ordering Paragraph (6) of this Order for Notice and Hearing directly on the Company's customers in accordance with the provisions of Code § 56-237.1 B. Service shall either be made by first class mail to the customary place of business or residence of the person served or may be included as a prominent and legible bill insert in each customer's respective bill. For those customers who have expressly approved service of bills and other correspondence by electronic means, the notice prescribed in Ordering Paragraph (6) of this Order for Notice and Hearing may be sent electronically.

(9) On or before February 28, 2020, the Company shall file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, proof of the notice and service required by Ordering Paragraphs (6), (7) and (8), including the name, title, and address of each official served.

(10) On or before April 13, 2020, any interested person may file with the Clerk of the Commission, at the address set forth in Ordering Paragraph (9), written comments on the Application. Any interested person desiring to submit comments electronically may do so on or before April 13, 2020, by following the instructions found on the Commission's website:

<http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUR-2019-00185.

(11) On or before March 6, 2020, any interested person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9). The respondent simultaneously shall serve a copy of the notice of participation on counsel for the Company at the address set out in Ordering Paragraph (5). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2019-00185.

(12) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon such respondent a copy of this Order for Notice and Hearing, a copy of the public version of the Application, and a copy of the public version of all materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(13) On or before March 6, 2020, each respondent may file with the Clerk of the Commission and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case. Each witness's testimony shall

include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9). In all filings, the respondent shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2019-00185.

(14) The Staff shall investigate the Application. On or before March 27, 2020, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on counsel to the Company and all respondents.

(15) On or before April 10, 2020, the Company shall file with the Clerk of the Commission any rebuttal testimony and exhibits that the Company expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page. The Company simultaneously shall serve a copy of the testimony and exhibits on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9).

(16) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(17) The Commission's Rule of Practice, 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, shall be modified for this proceeding as follows: responses and objections to written interrogatories and requests for production of documents

shall be served within five (5) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney if the interrogatory or request for production is directed to the Staff.²² Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(18) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Lonnie D. Nunley, III, Esquire, and Timothy E. Biller, Jr., Esquire, Hunton Andrews Kurth, LLP, Riverfront Plaza, East Tower, 951 E. Byrd Street, Richmond, Virginia 23219-4074; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.

²² The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUR-2019-00185, in the appropriate box.